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PASS TO AF/EPS MARY FLEMING AND CYNTHIA AKUETTEH

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TAGS: [ETRD](#) [GH](#)

SUBJECT: GHANA: INPUT FOR 2005 PRESIDENT'S REPORT ON AGOA

REF: STATE 24616

[1](#)1. Economic Situation: Ghana has a market-based economy with few barriers to trade and investment. In February 2005, the GoG ceded control of petroleum prices to the National Petroleum Tender Board, made up of GOG representatives and oil retailers, and gasoline prices immediately jumped 50 percent. Ghana has divested all or part of its holdings in 318 of 350 state-owned enterprises, and it has announced interest in privatizing most of the remaining ones, including the oil refinery, power and water utilities, ports and railways, and civil aviation establishments. The government's monopoly on the export of cocoa was removed in 1999 to allow the private sector to participate partially in cocoa exports, though few companies have taken advantage of this opportunity, and the GoG still controls the price paid to cocoa farmers. The IMF and World Bank gave final approval to HIPC Completion Point in July 2004, paving the way for Ghana to receive approximately USD 3.5 billion in debt forgiveness from official creditors.

[1](#)2. Trade Liberalization: Ghana requires foreign investors to satisfy a minimum capital requirement and prohibits them from investing in several traditional sectors. Starting a business in Ghana can take about 85 days. In December 2003, Parliament passed five of the six bills designed to bring Ghana into compliance with TRIPS requirements; the remaining copyright bill is expected to pass in 2005. Ghanaian law protects private property rights, although disputes over land ownership are common. The government has made some progress in resolving ongoing investment disputes involving U.S. companies, but there are currently several commercial disputes involving cotton production, rice production, and telecommunications.

[1](#)3. Political Pluralism: President John Kufuor of the NPP party was re-elected on December 7, 2004, in a national election that was generally considered free and fair by international observers, despite a few incidents of intimidation and minor irregularities. Eight political parties contested parliamentary elections and four parties contested presidential elections.

[1](#)4. Rule of Law: Corruption in the judicial system and lengthy pre-trial detentions remain serious problems. [Fast Track](#)8 High Courts are dealing with routine commercial disputes and high profile corruption cases. The integrity of the legal system is limited by a lack of financial, human, and material resources. The judiciary is occasionally subject to executive influence and corruption.

[1](#)5. Anti-Corruption: The government pursues a [Zero Tolerance](#)8 policy on corruption. The government is negotiating a contract with a U.S. company to put in place a double-blind bidding system for government procurement contracts. The National Reconciliation Commission completed an inquiry in 2004 for victims of past government human rights abuses. Police corruption and impunity remains a problem.

[1](#)6. Poverty Reduction: The IMF approved a new Poverty Reduction and Growth Facility for Ghana in April 2003 and completed the second review in July 2004; to date, the GoG has adhered to the majority of its targets. The current budget includes a number of initiatives to alleviate poverty. The National Health Insurance Scheme increased the VAT tax by 2.5 percent in August 2004 to fund expanded health coverage in Ghana.

[1](#)7. Human Rights: The GOG generally respects human rights. However, there have been some credible reports that police have beaten suspects in custody and have arbitrarily arrested and detained people. In 2004, an opposition member in the north died in military custody. Prison conditions remain harsh and life threatening and prolonged pre-trial detention remains a serious problem. There are occasional reports that government officials pressure government media outlets to minimize coverage of opposition politicians.

[1](#)8. Labor: The new Labor Act of 2003 amends and consolidates previous labor laws, conforms to ILO conventions, enhances the right of every worker to form or join a trade union, and creates a National Labor Commission to help resolve labor disputes. The Constitution prohibits forced or compulsory

labor, however there were reports that such practices occurred. Ghana has ratified both ILO Convention 29 and Convention 105 on forced labor.

9. Child Labor: GOG law sets a minimum employment age of 15 years and prohibits night work and certain types of hazardous labor for those less than 18 years of age. However, child labor is a serious problem in the informal sector. In September 2003, Ghana signed the Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution, and child pornography. The government has ratified ILO Convention 182 on the worst forms of child labor.

10. AGOA-related outreach: The West Africa Trade Hub is a important USAID-funded program whose goal is to build the export capacity of Ghanaian firms through training, technical assistance, and information. The Trade Hub supports an AGOA Resource Center in Accra, offering public Internet access for research and communication with potential suppliers and buyers, and provides information on customs, transport, and sanitary/phytosanitary standards.

11. Challenges: Two main challenges prevent expanded exports under AGOA. First, the production supply base is too small to meet demands from the large commercial entities in the U.S., and the benefits from AGOA do not make up for the resources required to increase supply. Secondly, producers have difficulty meeting the stringent delivery requirements of big commercial U.S. importers. Since most of the products are created by local, unorganized labor and are dependent on a variety of uncontrollable logistical elements, producers generally cannot guarantee a time or quantity for delivery.

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